

ADMINISTRATION AND FINANCE COMMITTEE

DATE: February 9, 2006

CALLED TO ORDER: 5:05 p.m.

ADJOURNED: 6:30 p.m.

ATTENDANCE

Attending Members

Jackie Nytes, Acting Chair
Vernon Brown
Lynn McWhirter
Lincoln Plowman

Absent Members

Joanne Sanders
Lance Langsford
Mary Moriarty Adams

AGENDA

PROPOSAL NO. 625, 2005 - approves the Mayor's appointment of Jane Henegar as the Deputy Mayor for Policy
"Do Pass" Vote: 4-0

PROPOSAL NO. 33, 2006 - reappoints Colette A. Johnson to the Equal Opportunity Advisory Board
"Postpone" until February 21, 2006 Vote: 4-0

PROPOSAL NO. 34, 2006 - reappoints Kenneth Almon to the Equal Opportunity Advisory Board
"Postpone" until February 21, 2006 Vote: 4-0

PROPOSAL NO. 35, 2006 - reappoints Linda Perdue to the Equal Opportunity Advisory Board
"Postpone" until February 21, 2006 Vote: 4-0

PROPOSAL NO. 36, 2006 - reappoints Gary Gibson to the Equal Opportunity Advisory Board
"Do Pass" Vote: 4-0

PROPOSAL NO. 37, 2006 - reappoints Ernestine Nicholson to the Equal Opportunity Advisory Board

“Postpone” until February 21, 2006

Vote: 4-0

PROPOSAL NO. 38, 2006 - reappoints Charlie Garrido to the Equal Opportunity Advisory Board

“Postpone” until February 21, 2006

Vote: 4-0

PROPOSAL NO. 39, 2006 - approves the Installment Tax Payment Plan for certain real estate taxes

“Do Pass”

Vote: 4-0

PROPOSAL NO. 40, 2006 - approves an increase of \$708,457 in the 2006 Budget of the Marion County Assessor, Center Township Assessor, Decatur Township Assessor, Franklin Township Assessor, Lawrence Township Assessor, Perry Township Assessor, Perry Township Assessor, Pike Township Assessor, Warren Township Assessor, Washington Township Assessor, and Wayne Township Assessor (Property Reassessment Fund) to pay for expenses that were not provided for in the original 2006 approved budget

“Do Pass as Amended”

Vote: 4-0

Discussion of the impact of the elimination of Inventory Tax – referred to this committee from February 1, 2006 Economic Development Committee meeting

ADMINISTRATION AND FINANCE COMMITTEE

The Administration and Finance Committee of the City-County Council met on Thursday, February 9, 2006. Acting Chair Jackie Nytes called the meeting to order at 5:05 p.m. with the following members present: Vernon Brown, Lynn McWhirter and Lincoln Plowman. Absent were Lance Langsford, Mary Moriarty Adams and Joanne Sanders.

Acting Chair Nytes explained that Chairwoman Joanne Sanders is out of the city on business and she will be chairing the meeting. She also mention that Councillor Langsford is unable to attend any of the committee meetings at this time due to his active duty in the military.

PROPOSAL NO. 625, 2005 - approves the Mayor's appointment of Jane Henegar as the Deputy Mayor for Policy

Ms. Henegar explained that this is her seventh year before the Council seeking reappointment as Deputy Mayor. She said it has been a great honor and privilege to do this work for the last six years. Ms. Henegar stated that she works on a variety of issues for Mayor Peterson and focuses on social service issues.

Acting Chair Nytes explained that Ms. Henegar has provided the committee with a letter and her biography (Exhibit A, see Council file).

Councillor McWhirter moved, seconded by Councillor Brown, to send Proposal No. 625, 2005 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 4-0.

PROPOSAL NO. 33, 2006 - reappoints Colette A. Johnson to the Equal Opportunity Advisory Board

Acting Chair Nytes explained that a few of the following reappointments are not in attendance and the proposals will need to be postponed. She also stated that she believes that Ms. Johnson is on active duty in the military and has been unable to make many of the board meetings.

Councillor McWhirter asked that a letter be sent to each of the board members regarding their attendance and whether or not they want to continue to serve on the board.

Councillor McWhirter moved, seconded by Councillor Brown, to "Postpone" Proposal No. 33, 2006 until February 21, 2006. The motion carried by a vote of 4-0.

PROPOSAL NO. 34, 2006 - reappoints Kenneth Almon to the Equal Opportunity Advisory Board

Councillor McWhirter moved, seconded by Councillor Brown, to “Postpone” Proposal No. 34, 2006 until February 21, 2006. The motion carried by a vote of 4-0.

PROPOSAL NO. 35, 2006 - reappoints Linda Perdue to the Equal Opportunity Advisory Board

Acting Chair Nytes stated that Ms. Perdue is out of town and unable to attend the committee meeting; however, she has stated her interest in continuing to serve on this board.

Councillor McWhirter moved, seconded by Councillor Brown, to “Postpone” Proposal No. 35, 2006 until February 21, 2006. The motion carried by a vote of 4-0.

PROPOSAL NO. 36, 2006 - reappoints Gary Gibson to the Equal Opportunity Advisory Board

Mr. Gibson stated that he is very interested in continuing to serve on the board. He said this board provides tremendous opportunities for making a difference in our community. Mr. Gibson said the board was able to accomplish a lot of things last year, including the passage of the human rights ordinance.

Councillor Brown moved, seconded by Councillor McWhirter, to send Proposal No. 36, 2006 to the full Council with a “Do Pass” recommendation. The motion carried by a vote of 4-0.

PROPOSAL NO. 37, 2006 - reappoints Ernestine Nicholson to the Equal Opportunity Advisory Board

Councillor McWhirter moved, seconded by Councillor Brown, to “Postpone” Proposal No. 37, 2006 until February 21, 2006. The motion carried by a vote of 4-0.

PROPOSAL NO. 38, 2006 - reappoints Charlie Garrido to the Equal Opportunity Advisory Board

Councillor McWhirter moved, seconded by Councillor Brown, to “Postpone” Proposal No. 38, 2006 until February 21, 2006. The motion carried by a vote of 4-0.

PROPOSAL NO. 39, 2006 - approves the Installment Tax Payment Plan for certain real estate taxes

Michael Rodman, Marion County Treasurer, said each year this plan has to be renewed and sent to the State for approval. He said the installment plan is for certain tax payers that are the owner of real estate or a mobile home, have a homestead credit, no delinquencies or special assessments, and agree to pay the 2006 taxes. Mr. Rodman said if the tax payer qualifies they also have to qualify for one of the following criteria:

- experience a tax increase of 100% or more over their 2002 tax obligation
- currently actively serving in the U.S. military
- eligible for the age exception
- over the age of 65 and has an adjusted gross income of \$25,000 or less
- under the age of 65 and only source of income is Social Security Disability.

Councillor McWhirter asked how many people take advantage of this opportunity. Mr. Rodman said 236 people have qualified for the plan.

Councillor Nytes said that most people may pay for their property taxes through their mortgage payment which is being made on a monthly basis.

Councillor Brown moved, seconded by Councillor McWhirter, to send Proposal No. 39, 2006 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 4-0.

PROPOSAL NO. 40, 2006 - approves an increase of \$708,457 in the 2006 Budget of the Marion County Assessor, Center Township Assessor, Decatur Township Assessor, Franklin Township Assessor, Lawrence Township Assessor, Perry Township Assessor, Perry Township Assessor, Pike Township Assessor, Warren Township Assessor, Washington Township Assessor, and Wayne Township Assessor (Property Reassessment Fund) to pay for expenses that were not provided for in the original 2006 approved budget

Kim Diller, Office of Finance and Management, said there is a technical amendment to Proposal No. 40, 2006. She said the total amounts of the increase in each of the Assessors' budget is \$857,539 and this amount is incorrect in the digest and in Section 2 of the proposal (Exhibit B, attached).

Councillor McWhirter moved, seconded by Councillor Brown, to "Amend" Proposal No. 40, 2006. The motion carried by a vote of 4-0.

Paul Ricketts, Lawrence Assessor, represented the township assessors and said they all have worked hard with the Office of Finance and Management to make this budget work. He said the reason for this proposal is there was an advertised budget that was released before the assessors could sit down to adjust their budgets and the reassessment needed to be reinstated in the budget.

Ms. Diller said during the budget process the Office of Finance and Management assumed that all the appropriations for 2005 of the reassessment fund would be spent. She said it was after the advertisement that the assessors figured out the actual number that would be underspent in the budget. Ms. Diller said the assessors underspent the reassessment budget by \$1.1 million.

Councillor Brown asked what the status is with the audits of personal property. Mr. Ricketts said the money has to be distributed by taxing district but they are waiting for more audits to come through. Councillor Brown asked if an update will be given to the committee on what money was found in each district. Mr. Ricketts replied in the affirmative.

Bart Brown, Chief Financial Officer, asked if additional revenue that was collected in past years will go toward the 102% excess levy. Cindy Land, Treasurer's Office, said unfortunately no unit collected 102% of their levy. She said the average collection of the levy for the County in 2005 was around 96 – 97%.

Acting Chair Nytes clarified that of the taxes that were planned to support the budgets, the County only collected 97% of that money. Ms. Land replied in the affirmative and said the law in the past did not allow the assessments to include appeal value of assessments. She said there is a proposed law to have the language put back into law to allow the County to account for appeals on reassessment. Acting Chair Nytes asked if the problem with collecting levy is grounds for an excessive levy appeal. Ms. Land said it would need to be looked into but she believes it can be done.

Councillor McWhirter moved, seconded by Councillor Plowman, to send Proposal No. 40, 2006 to the full Council with a "Do Pass as Amended" recommendation. The motion carried by a vote of 4-0.

Discussion of the impact of the elimination of Inventory Tax – referred to this committee from February 1, 2006 Economic Development Committee meeting

Acting Chair Nytes stated that the purpose of this presentation is to discuss the impact of losing the inventory tax as part of the assessed valuation next year.

Bart Brown, Chief Financial Officer, gave a presentation on the elimination of the Inventory Tax (Exhibit C, see Council files). Some of the key points were:

- The Inventory tax makes up a certain percentage of the net assessed valuation in each of the following districts:
 - 1) Indianapolis Police District 6.7%
 - 2) Indianapolis Fire District 5.5%
 - 3) Indianapolis Solid Waste 4.9%
 - 4) Indianapolis Consolidated City 4.9%
- The percentage of inventory tax per township:
 - 1) Pike 6.3%
 - 2) Washington 3.7%
 - 3) Lawrence 2.9%
 - 4) Wayne 5.6%
 - 5) Center 5.1%

- 6) Warren 8.4%
- 7) Decatur 2.7%
- 8) Perry 4.5%
- 9) Franklin 2.8%

- Possible options the Council has are:
 - 1) Raise rates and try to hold levies flat
 - 2) Cut levies as offset
 - 3) Pass County Economic Development Income Tax (CEDIT), in form of Homestead Credit

Acting Chair Nytes asked if every government unit that has a tax rate is going to have to make a decision on whether to raise rates or hold the levies flat. Mr. Brown replied in the affirmative. Acting Chair Nytes asked if the Council is the only government unit that has the authority to create CEDIT, which in this case would be used as a Homestead Credit. Mr. Brown replied in the affirmative and said the offset would only affect homeowners. Mr. Brown stated that they anticipated \$16 million needed in Homestead Credit, which equals one percent of income tax.

Councillor McWhirter asked if the \$16 million is City and County money. Mr. Brown said the \$16 million anticipates all tax rates from all local units. He said the money does not go to the local units, but to help the homeowner pay their tax bill.

Acting Chair Nytes stated that if the Homestead Credit is passed, other local units of government will still need to make the decision to raise rates or cut services.

Councillor McWhirter asked how much money will be raised if the rate is increased to 2.5%. Mr. Brown said about \$40 million at the current levels. Councillor McWhirter asked where the remainder of the money would go. Bob Clifford, City Controller, said you can only raise the rate to provide Homestead Credit, which is \$16 million.

Councillor Brown asked if another tax is needed to make up for the loss of inventory tax. Mr. Clifford said the State will allow you to increase the rate paid by the homeowner.

Tom Langdoc, Wayne Township Director of School/Community Services, explained the inventory assessed in Wayne Township and the School District (Exhibit D, attached). He said Wayne Township would lose \$8.8 million in tax dollars and the school district would lose \$5.5 million. He said since inventory tax will be lost, rates will need to be increased as a result of increases on houses in the township.

Dennis Tackitt, Wayne Township School Chief Financial Officer, described each of the local tax-supported funds (Exhibit E, attached). He said in the General Fund the revenue per student is established by the Department of Education and money that is not raised through property taxes is supposed to be raised by the State through their basic grant. Mr. Tackitt said they have some concern due to the limited funding available to the State

and the ability for the State to increase appropriations to absorb money that is no longer raised locally. He said Wayne Township is at risk to lose 33 teachers. Mr. Tackitt said in the Capital Projects Fund, revenue should not be lost but would mean raising local property taxes to offset the loss of inventory tax. He said the potential inventory tax loss in Wayne Township is \$4.5 million.

Acting Chair Nytes asked if the school board has a preference on how they would want to handle the inventory loss. Mr. Langdoc said he cannot speak on the school board's behalf, but the State has given authority to the school board to raise taxes to make up for the shortfall that they did not provide.

Councillor McWhirter asked if 33 teachers were to be laid off, what it means to the school system. Mr. Langdoc said this would be a bigger discussion but it would probably mean elimination of programs.

Sue Swayze, representative of the Greater Indianapolis Chamber of Commerce, said the Council should take into consideration how the Homestead Credit affects homeowners and renters. She said there are other hits that are coming against the property tax that may effect the decision on whether to increase the property tax. She said there is the trending, the property tax replacement freeze, and the real estate credit that is against the property tax. Ms. Swayze said this issue is going to take some decision making and vision, and, is happy to see the discussion started.

Acting Chair Ntyes said one of the options is to adopt CEDIT because it would allow the Council to offer a Homestead Credit to the homeowners that are going to be impacted by the possible increase in property taxes. She said to adopt CEDIT the Council would have to act on very short timeline.

CONCLUSION

With no further business pending, and upon motion duly made, the Administration and Finance Committee of the City-County Council was adjourned at 6:30 p.m.

Respectfully submitted,

Jackie Nytes, Acting Chair
Administration and Finance Committee

JN/as

